The story of Spectramind is the story of Raman Roy. This founder of Spectramind had led the outsourcing operations in American Express and GE. At a time when people at Amex were unaware of the benefits of getting a process outsourced to India, Mr Roy showed how the transaction costs could be reduced by as much as 40-50% when done out of India. Similarly, he proved to GE that call centre operations could be done profitably out of India, given the quality of manpower.

GE’s numerous business associates used to come back to India in search of a firm that could execute processes for them. This gave Mr Roy the idea of starting a third party BPO company and Spectramind came into existence. Spectramind was started by a 10-member team taken from the management team of GE and American Express, along with Mr Roy, and was venture funded by Chrysalis Capital.

Spectramind has been one of the forerunners in the industry, as far as third party BPO service providers are concerned. While the industry is just nine years old (including the captive BPOs), Spectramind came into being only about 42 months ago. Raman Roy, chairman and managing director of Spectramind, says that he saw the potential of using India as a base. Today the organisation has around 8,500 employees. Around 3,500 employees have been added in the last six months. Till the last quarter, the company had around 17 clients in production. In totality, about 60 processes were involved.

Wipro acquired Spectramind in July 2002. Wipro had taken immense care to ensure that there was no mismatch between the cultures of the two organisations. However, analysts felt that Wipro might have overpaid in its zeal to bag India’s largest BPO outfit. Less than a year down the line, it appears that such apprehensions were misplaced. The Spectramind deal is already looking like a winner for Wipro. Spectramind has generated 4% of revenues and 6% of profits before interest and tax for Wipro in FY 2003. Wipro has a much larger presence in the BPO space as compared to any other large IT company. Infosys’s BPO revenues for FY 2003 were just around 10% compared to that of Wipro.
In terms of valuations, Wipro paid about Rs 470 crore for Spectramind. And now that results for this business are available, the valuation doesn’t look too demanding. Spectramind’s valuation of Rs 470 crore works out to 11.9 times its PBIT. Till a couple of years ago, share markets were awarding valuation multiples of 30-40 times or even more for businesses growing at a rate of 50% or more. In retrospect, the acquisition does appear a good addition for Wipro.

The company works in the verticals – IT financial services, ISP and retail. The six locations at which the company has set up centres are Delhi, Mumbai, Chennai, Pune, Navi Mumbai and Bangalore. Four people were involved in marketing at the initial stages, which has now increased from 17 to 18 people. The company had notched sales of US$ 20 million in the last quarter. The performance has increased to such a degree that the number of customer contacts per month stands at 4 million.

The employee strength of Spectramind matches international scale (international scale companies being considered are those with the number of employees greater than 6,000). The attrition rates of the company are in the range of 12-13% on a quarterly basis, tantamount to an annual attrition of 40%.

In order to deal with attrition the company has entered a mutual non-hire agreement with Daksh, Amex, Dell and ICICI Prudential. The aim of such an agreement is to ensure that the best talent is not lost to competitors.

The company has three buildings in Delhi, two in Mumbai and one each in Belapur, Chennai and Pune. The company is focussing on the strategy of expanding into the set of local clientele, offering a larger set of services and becoming a single stop shop for its customers. Currently, 97% of the company’s clientele are located in the US.

The operating margin of the company at 24% for the financial year ended March 2003 is higher than most of the other BPO players which have just broken even or will break even in the near future.

Start Up Year: 2000
Area of Operations: Customer care, Transaction processing, HR processing, Biotech research, Risk management, Financial analysis
Location: Delhi, Mumbai, Belapur (Navi Mumbai), Chennai and Pune
CEO: Raman Roy
Promoters/Owners and Funding: A subsidiary of Wipro
Approximate Headcount: 8,492
Approximate Revenues: Rs 165 crore